TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 2232 - HB 2244

March 5, 2014

SUMMARY OF BILL: Requires the Treasurer to allocate funds not to exceed $8,500,000 from the revenue fluctuation reserve into the newly-created Local Disaster Relief Fund upon the Governor's declaration of a state of emergency or disaster. Authorizes a claimant, as defined by this bill, whose primary residence was destroyed or damaged as a result of a disaster and who is not receiving disaster assistance through the Federal Emergency Management Agency, to a refund equal to the total amount of Tennessee state and local sales and use tax paid as a result of the claimant's purchases of major appliances, residential furniture, or residential building supplies, provided that the total amount refunded does not exceed $2,500 per claimant. Establishes a procedure a claimant must follow to receive the sales and use tax refund. Authorizes the Department of Revenue to assess a civil penalty, not to exceed $25,000, against any person that knowingly files a false or fraudulent application for refund. Authorizes the Department to promulgate rules, prescribe procedures, and otherwise effectuate the purposes of this Act.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – $1,562,500/FY13-14
$3,379,400/FY14-15
$3,357,900/FY15-16 and Subsequent Years

Assumptions:

- The average number of emergencies that occur in a one-year period is estimated to be ten.
- Five hundred residences are estimated to be damaged or destroyed by a disaster. Fifty percent of such residences, or 250, will file a claim with the Department of Revenue and be approved for a refund, for a total of 2,500 annual claims filed with the Department and approved (250 claims per disaster x 10 disasters).
- The average approved refund claim is estimated to be $1,250.
- The recurring increase in state expenditures is estimated to be $3,125,000 (2,500 claims x $1,250).
- Since this bill will apply to any disaster occurring on or after January 1, 2014, it is estimated that the first-year impact of this bill (FY13-14) will be equal to 50 percent, or $1,562,500, of the full year impact.

- The Department will set up accounts for each claimant, ensure that each claimant qualifies for the refund, that only qualified purchases are claimed, that each claimant does not receive more than $2,500, and that duplicate claims are not filed for the same residence.
- As a result, the Department's Audit Division will require four additional positions: one Tax Audit Supervisor, two Tax Auditors, and one Tax Audit Technician. The one-time increase in state expenditures associated with these positions is estimated to be $21,500. The recurring increase in state expenditures is estimated to be $232,871 ($158,172 salary + $42,199 benefits + $32,500 other). The Department estimates that these expenditures will be incurred beginning with FY14-15.
- The total increase in state expenditures is estimated to be $1,562,500 in FY13-14, $3,379,371 ($3,125,000 + $21,500 + $232,871) in FY14-15, and $3,357,871 ($3,125,000 + $232,871) in FY15-16 and subsequent years.
- Any increase in expenditures to the Department of the Treasury is estimated to be not significant and can be accommodated within existing resources of the Department without an increased appropriation or reduced reversion.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Lucian D. Geise, Executive Director

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